

**PORTSMOUTH PORT DEVELOPMENT STUDY
TASK V: IMPLEMENTATION PLAN
DRAFT REPORT**

Prepared for:

**OFFICE OF STATE PLANNING
STATE OF NEW HAMPSHIRE
2 1/2 BEACON STREET
CONCORD, NEW HAMPSHIRE 03301**

Prepared by:

**TEMPLE, BARKER & SLOANE, INC.
33 HAYDEN AVENUE
LEXINGTON, MASSACHUSETTS 02173**

June 6, 1986

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TABLE OF CONTENTS

- I. INTRODUCTION**
- II. CONTAINMENT AREA IMPLEMENTATION PLAN**
- III. MANAGEMENT IMPLEMENTATION PLAN**
- IV. MARKETING: ANALYSIS AND RECOMMENDATIONS**

I. INTRODUCTION

- Task V presents the implementation plans developed by TBS for the two options selected by the Advisory Committee. The two options for which implementation have been developed are: 1) Containment Area; and 2) Alternative Management Plans for the Port Authority.
- At the request of the Advisory Committee, the consultants conducted additional analyses of market opportunities for the State Port Authority facility. The focus of the analysis was on non-cargo opportunities that would diversify the Port Authority's revenue base.
- Chapter II presents the implementation plan for Option 1: Dredge Spoil Containment Area. Chapter III presents the implementation plan for Option 2: Alternative Management Plans. Chapter IV contains an identification of additional market opportunities and marketing recommendations.

II. CONTAINMENT AREA IMPLEMENTATION PLAN

A. Introduction

- The Containment Area Development option encompasses the creation of approximately 11.5 acres of land at the State Port Authority facility. The land would be created through the use of either dredge spoils from the Army Corps of Engineers' (Corps) Piscataqua River dredging project or the use of land-sourced fill.
- In order to use dredge spoil as fill in the containment area, the containment structure project must be completed prior to the commencement of the Piscataqua River dredging project.
- Consequently, the timing of the Piscataqua River dredging project is critical to the use of dredge spoil as fill at the containment site.
- However, the option to use land-sourced fill will always exist, although at a higher cost than the dredge spoil option.

B. Status of Piscataqua River Dredging Project

- The critical determinants of the timing of the Piscataqua project are:
 - Approval of Omnibus Waterways Resources Bill by Congress and the President that includes the Piscataqua River dredging project
 - Appropriation of funds for the Piscataqua River project
 - Implementation of the project by the Corps.

Containment Area Implementation Plan

B. Status of Piscataqua River Dredging Project (continued)

- The Omnibus Waterways bill is currently before a joint House/Senate conference committee. Debate by the committee on a compromise between the House and Senate versions was scheduled to begin on June 2nd. The committee staff anticipates they will achieve a compromise and deliver the conference report containing the proposed compromise to both houses of Congress by June 30th. While this schedule is viewed as ambitious, most conference members believe it is possible.
- Following the presentation of the conference report, the following sequential steps will occur:
 - Compromise bill is scheduled for floor action in both houses of Congress
 - Compromise bill is debated in both houses where amendments may or may not be attached
 - Following debate, the bill is voted on
 - If approved, the bill is sent to the President, who then has 14 days to sign or veto it
 - Following Presidential approval, Congress then debates and votes on appropriations for all or some of the bill's projects for FY1987
- The time required to complete this process is unknown. However, Congressional and Presidential support for the Omnibus Waterway Resources bill is strong.

Containment Area Implementation Plan

B. Status of Piscataqua River Dredging Project (continued)

- Discussions with Senator Rudman's staff have indicated that the likelihood of authorization and appropriation of the Piscataqua River project is better this year than in any other year. Reasons cited for this include:
 - The project is contained in both the House and Senate versions.
 - The President has included the project in his budget.
 - The State of New Hampshire has declared its willingness to assume a portion of the cost of the project.
- The earliest that authorization and appropriation of funds for the Piscataqua River project would be available is the start of FY1987, which begins on October 1, 1986.
- While Senator Rudman's staff believes the likelihood of this occurring is the best it has ever been, the probability that it will happen is unknown. If authorization and appropriations are not completed by September 30, 1986, then the Piscataqua River project cannot start prior to October 1, 1987, or the start of FY1988.
- Once the Piscataqua River project is authorized and funds appropriated, the Corps can proceed with the project. Remaining tasks to be pursued by the Corps include:
 - 1) Preparation of plans and specifications for the project
 - 2) Resolution of local cost-sharing and mitigation issues

Containment Area Implementation Plan

B. Status of Piscataqua River Dredging Project (continued)

- 3) Developing procedures with the State of Maine for monitoring the impacts of blasting on local aquatic wildlife
- 4) Contract bidding and negotiations
- 5) Selection of a contractor
- Discussions with the Corps' project engineer for the Piscataqua River project indicate that the Corps can reasonably complete items 1, 3, 4, and 5 within six to eight months.
- The project officer was unwilling to speculate on how long might be required to complete item 2--resolution of local issues. This item is undefined at this point since Congress has not finalized the legal requirements for local participants nor has the Corps established policy guidelines for negotiating the timing of local contributions to adhere to the legal parameters to be established by Congress.
- The key issue regarding local funding for the Piscataqua River project is how quickly the New Hampshire State Legislature can appropriate the necessary funds for the project. Discussions with the Office of State Planning, the Port Authority, and members of the Advisory Committee indicate that funds could be made available as early as April to June of 1987.
- Based on this schedule, and the assumption that the Federal project is authorized and funds are approved for an October 1, 1986 start, the Corps estimates it would be prepared to begin dredging in the fall of 1987 or one year after the authorization to proceed is received.

Containment Area Implementation Plan

B. Status of Piscataqua River Dredging Project (continued)

- If the State is unable to appropriate funds during fiscal year 1987 (July 1986-June 1987), then the entire process would be delayed an additional eight months (October 1987 to June 1988). Exhibit II-1 summarizes the two time horizons within which the Piscataqua River project could occur.
- Resolution of local issues includes the appropriation of local funds and therefore is dependent upon the State's legislative process using a special bill or the normal capital appropriations process. A special bill could be introduced as early as July 1986.

C. Containment Area--Dredge Spoil Option

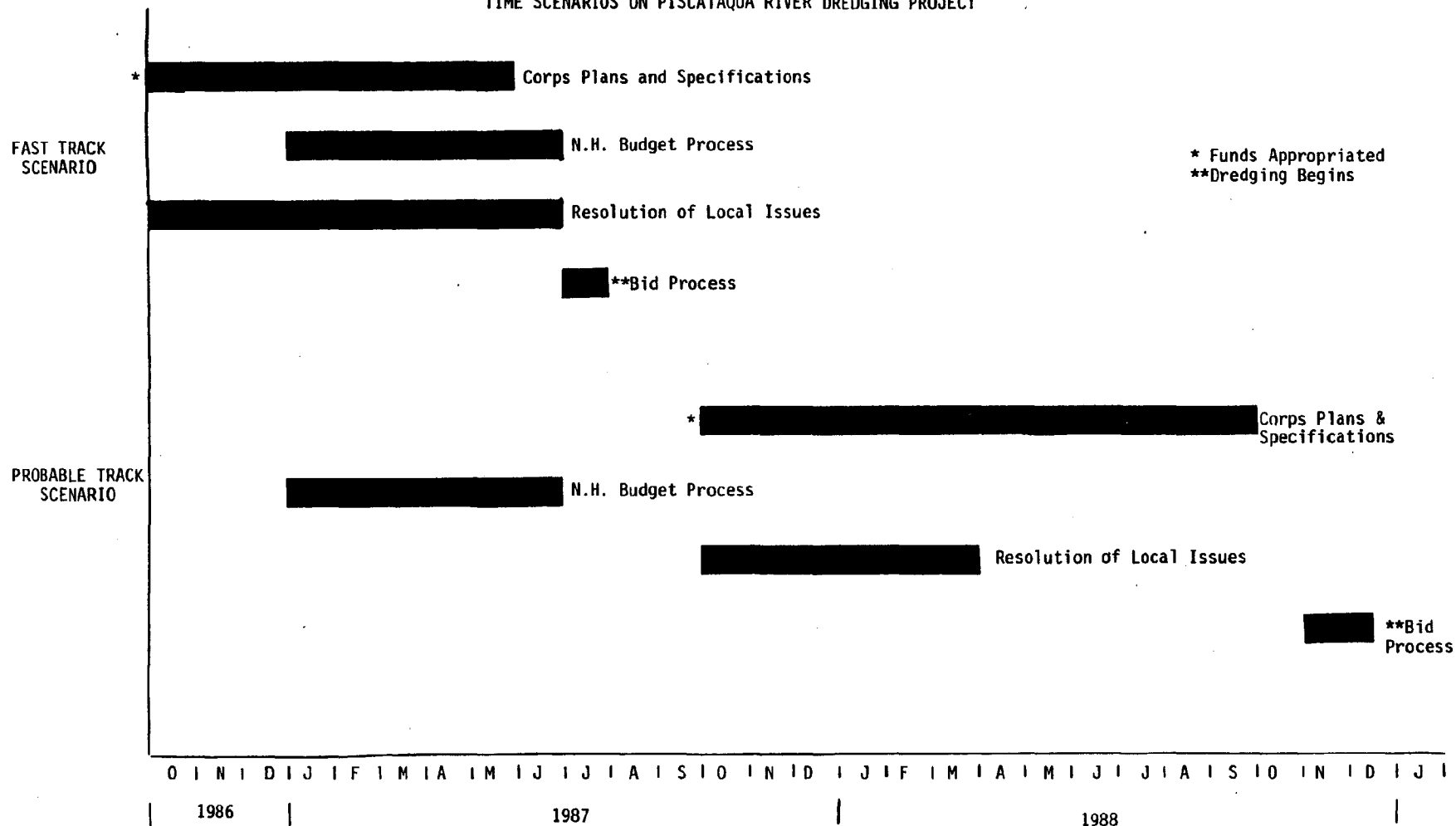
- If dredge spoils are to be used to create the containment area, then the construction of the containment structure must occur prior to the commencement of river dredging.
- The major time constraints to constructing the containment area are the permitting process and the State's budgetary process. Together, these two issues will determine the time to implement the containment area option.

a. Permitting Process

- The Port Authority Board, as sponsoring agency for the containment area, would be responsible for obtaining all Federal permits and approvals for the containment structure. Federal legislation governing the permitting process includes Section 10 of the Rivers and Harbors Act and Section 404 of the Clean Water Act. These statutes deal with the environmental impacts of harbor dredging and dredge disposal on the local environment.

EXHIBIT II-1

TIME SCENARIOS ON PISCATAQUA RIVER DREDGING PROJECT



Containment Area Implementation Plan

a. Permitting Process (continued)

- Discussions with the Corps' regulatory branch, the branch responsible for issuing federal permits, indicate that the containment area permitting process could be lengthy for two reasons. Those reasons are (1) the possible existence of wildlife species in the proposed containment site and (2) the magnitude of the project may require the filing of an Environmental Impact Statement (EIS).
- If it is determined that significant wildlife does not exist within the proposed containment area and that an EIS is not required, the time to complete the Federal permitting process is estimated to be six months. Conversely, an EIS requirement could extend the process to 12 to 18 months.
- Discussions with members of the Advisory Committee, Port Authority staff, and Kimball Chase have indicated that the State and local permitting process is expected to require less time than the Federal process, and therefore, it does not pose a serious constraint to the containment structure.
- Kimball Chase's contract with the State of New Hampshire, which is currently on hold pending the completion of this study, includes the development and presentation of all research, analysis, and findings to support the permitting process. The actual permit application process will be handled by the Port Authority Board and its staff.

Containment Area Implementation Plan

b. Legislative Process

- The legislative process encompasses the appropriation of money to fund the final design of the containment structure, preparation of specifications and bids, and construction.
- The key issue is whether the Port Authority Board, as the sponsoring agency, can muster support from the coastal delegation, the Department of Public Works, the Department of Resources and Economic Development, and local industry to introduce legislation to fund the requisite appropriations during FY1987. If it can, then funds to proceed with the containment area could be available as soon as April to June 1987.

c. Engineering

- Engineering work associated with the containment structure encompasses three phases:
 - 1) Preliminary design
 - 2) Final design
 - 3) Bidding and Negotiations
- Kimball Chase was in the midst of its preliminary design and permitting study when it was halted by the Governor. Kimball Chase has indicated that it would require 8 to 14 months to complete this phase of work depending on the permitting process. Since the money to complete the work is already appropriated, funding is not a constraint.

Containment Area Implementation Plan

c. Engineering (continued)

- Kimball Chase has also indicated that the final design phase, which includes the preparation of design specifications and contract bids would require an additional four to six months. Funding for the final design could be obtained through the legislative process as early as April to June 1987.
- Bidding and negotiations are estimated to require four to six weeks. Thus, a total of 13 to 21.5 months is required to complete the engineering prior to construction of the containment area.
- Actual construction of the containment area is estimated to require 18 months.
- Exhibit II-2 summarizes the two time horizons within which the containment area could be constructed.
- A comparison of the timing of the Piscataqua River dredging project and the construction of the Containment Area Project is provided in Exhibit II-3. The comparison shows under a fast track Piscataqua River project scenario the containment structure will not yet be completed.
- Conversely, under the probable track Piscataqua River project scenario, the containment area will be completed under a fast track scenario but not completed under the probable track scenario.

EXHIBIT II-2
TIME SCENARIOS ON CONTAINMENT AREA PROJECT

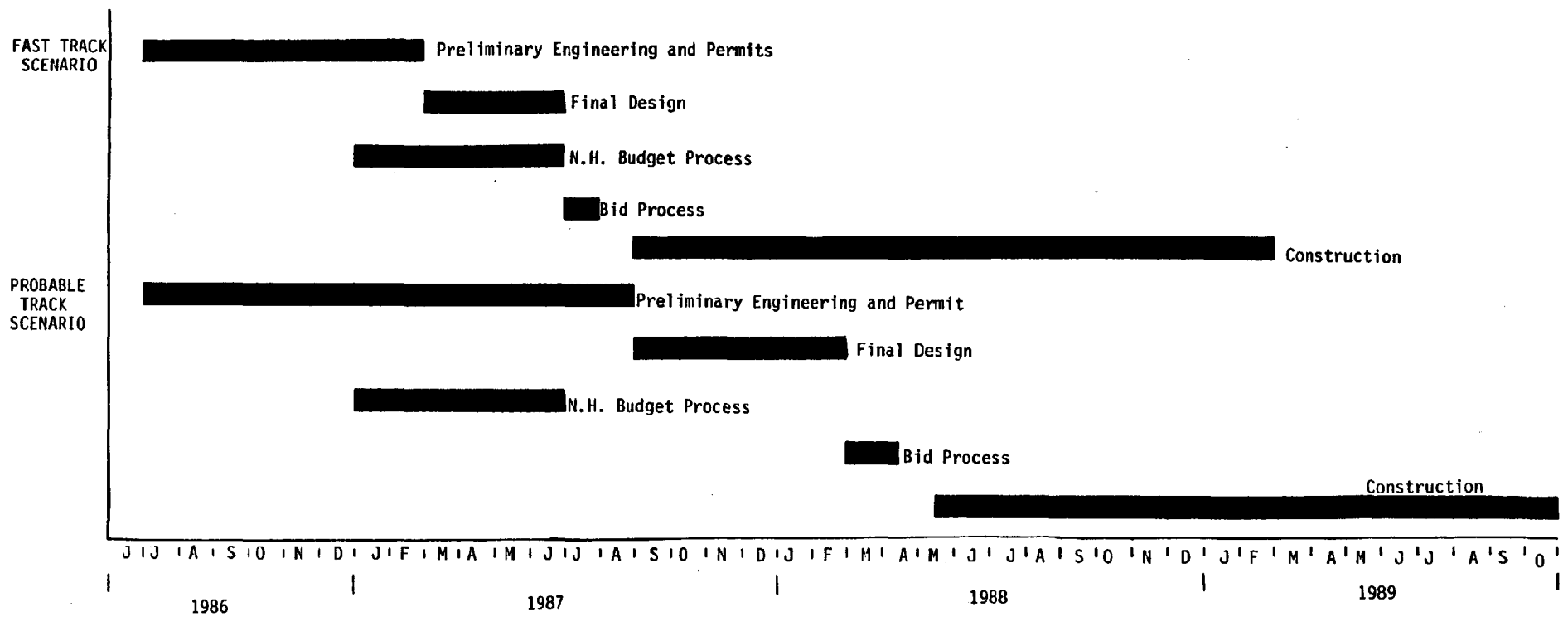


EXHIBIT II-3

TIME SCENARIOS ON PISCATAQUA RIVER DREDGING AND CONTAINMENT AREA PROJECTS

PISCATAQUA RIVER DREDGING PROJECT

FAST TRACK SCENARIO

PROBABLE TRACK SCENARIO

CONTAINMENT AREA PROJECT
FAST TRACK SCENARIO

PROBABLE TRACK SCENARIO

J | J | A | S | O | N | D | J | F | M | A | M | J | J | A | S | O | N | D | J | F | M | A | M | J | J | A | S | O | N | D | J | F | M | A | M | J | J | A | S | O |
1986 1987 1988 1989

Containment Area Implementation Plan

c. Engineering (continued)

- The following table summarizes the feasibility of completing the containment structure prior to commencement of dredging operations.

Table II-1		
FEASIBILITY OF DREDGE SPOIL FOR CONTAINMENT FILL		
<u>River Dredging</u>	Containment Area Construction	
	<u>Fast Track</u>	<u>Probable Track</u>
Fast Track	No	No
Probable Track	Yes	No

- If the containment structure cannot be completed prior to commencement of dredging, the option exists to use land-sourced fill. This option would result in higher construction costs due to the higher cost of the land-sourced fill--\$6.50/cubic yard versus \$1.70/cubic yard. This differential would result in an incremental cost of \$1.9 million--\$4.80 x 390,000 cubic yards.

d. Financing

- Because the State would be the sponsoring agency for the containment area, the project would be funded through the issuance of general obligation bonds. The State's current bond rating is AA, and at this rating, the State has been able to issue 20 year bonds at an interest rate of 7.5 percent to 8.0 percent.

Containment Area Implementation Plan

d. Financing (continued)

- The preliminary estimate for constructing the containment area, using dredge spoil as fill, is \$15.5 million dollars (see Table II-2). Annual amortization costs total \$1.5 million at a 7.5 percent interest rate.

Table II-2				
COST OF CONSTRUCTION AND IMPROVEMENTS OF NEW TERMINAL IN CONTAINMENT AREAS NORTH OF MAINE-NEW HAMPSHIRE INTERSTATE BRIDGE				
(Option 1)				
<u>Construction Cost</u>	<u>Site No.1</u>	<u>Site No. 2</u>	<u>Other</u>	<u>Total</u>
Containment Site	\$ 8,450,000	\$1,650,000		\$10,100,000
Bridge			\$400,000	400,000
Spoil Transport & Placement	510,000	153,000		663,000
Total	\$ 8,960,000	\$1,803,000	\$400,000	\$11,163,000
<u>Improvements Cost</u>				
Dredging	\$ 470,000	\$ 220,000		\$ 690,000
Site work (utilities, security, surfacing, drainage)	900,000	140,000		1,040,000
Apron, fenders, etc.	1,340,000	220,000		1,560,000
Transit shed	1,000,000			1,000,000
Total	\$ 3,710,000	\$ 580,000		\$ 4,290,000
Total Cost	\$12,670,000	\$2,383,000	\$400,000	\$15,453,000

Containment Area Implementation Plan

e. Management

- Management of activities at the expanded State Pier facility would, in all likelihood, have to be determined through negotiations with the John T. Clark company.
- The existing lease grants Clark "exclusive use, operation, and possession of the premises," provided Clark fulfills its obligations as stipulated in the lease. The term premises, as it applies to an expanded facility, would be subject to legal interpretation.
- However, discussions with the Port Authority Board have indicated that issues regarding jurisdiction and use of the expanded facility would require negotiations.

f. Implementation Plan

- The following steps should be taken by the Port Authority Board and its staff to implement Option 1: Creation of a Containment Area:
 - 1) Petition the Governor to immediately release funds appropriated for the Kimball Chase preliminary design study. This action will complete design of the containment structure and permitting process.
 - 2) The Port Authority Board should enlist the support of the Department of Public Works, the Department of Resources and Economic Development, and local industry to lobby the coastal delegation to introduce fast track capital appropriations legislation to fund final design and preparation of bids for the containment structure and contingently appropriate funds for construction of the containment area, pending the results of a comprehensive market study by the Port Authority Board and its staff.

Containment Area Implementation Plan

f. Implementation Plan (continued)

--3) The Port Authority Board and its staff should undertake a comprehensive market study for the State Pier facility. Specific areas of focus should include:

- Bulk cargoes
- Tour boats
- Cruise vessels
- Industrial lessees
- New Hampshire State Liquor Commission

The emphasis should be on identifying market opportunities that both diversify the revenue base of the Port Authority and contribute to the amortization of the expanded facility, preferably through mid- to long-term leases. Kimball Chase's completion of the preliminary design and permitting study should take 8 to 14 months.

--4) The Port Authority Board should initiate negotiations with the John T. Clark Company in regards to managing the expanded facility. The negotiations should focus on providing the Clark Company with an equivalent amount of acreage at the containment sites at a mutually agreeable price. These negotiations could be folded into the upcoming negotiations on amending the payment terms of the existing lease that are scheduled to occur.

Containment Area Implementation Plan

f. Implementation Plan (continued)

- 5) Upon completion of the market study, the Port Authority Board and its staff should conduct a comprehensive cost-benefit analysis of the containment project--assuming negotiations with the Clark Company are proceeding favorably. The study should determine the total economic benefits--direct, indirect, and induced--from the total facility and then in relation to total fixed and variable cost. Based on this study, a recommendation should be made either to proceed or terminate the containment project. The decision to proceed should be based, to the extent it is possible, on commitments from users, i.e., leases.
- 6) If the decision is made to proceed with the containment area, the State should immediately release appropriated funds to the Port Authority Board to proceed with the final design and specifications, bidding, and construction phases.
- 7) Immediately upon deciding to proceed with construction, the Port Authority Board and its staff should seek commitments from as many users targeted during its market study as can be accomplished.
- 8) Options for managing the facility--principally lease or operate--should be investigated. The steps to be taken in investigating these options are outlined in Chapter III: Management Implementation Plan.

III. MANAGEMENT IMPLEMENTATION PLAN

A. INTRODUCTION

- The management option selected by the Advisory Committee includes three alternative methods for managing the Port Authority facility. Those three methods are:
 - 1) Lease--continue the present policy of leasing the State Pier to a terminal operator
 - 2) Operate--State Port Authority assumes operation of the facility
 - 3) Sale--Sell the State Pier to a private operator who would operate it as an industrial facility
- This chapter outlines the steps that would be required to implement each of these management alternatives.
- Each of these management alternatives cannot be implemented until 1992--the year in which the present lease with John T. Clark expires. However, this does not preclude the Port Authority Board from beginning action prior to 1992. In fact, the Port Authority Board can and should investigate all three alternatives simultaneously.
- Finally, the management alternatives presented herein are not mutually exclusive of the containment option but can be pursued regardless of whether the containment area is constructed or not.

Management Implementation Plan

B. LEASE

- This management option would continue the present policy of the Port Authority Board as specified in the Board's enabling legislation, e.g., leasing of the facility to a terminal operator.
- This option requires no action on the part of the Port Authority Board or the State to implement. However, in 1992 a new lease should be developed in order to alleviate problems that have arisen.
- Major problems identified throughout the life of the present lease and the duration of this study include:
 - Lack of control over pricing and marketing the facility by the Port Authority Board and its staff
 - Low lease payments relative to the income producing potential of the facility and the fact that such payments are not tied to activity, i.e., there is no incentive to the lessee to increase tonnage through the Port
 - Length of the lease which has constrained the ability of the Port Authority Board to rectify problems as they arise or adapt to changes in the marketplace
- The extent to which the Port Authority Board can redress these shortcomings with a new lease structure will be determined by market forces--the number of companies interested in operating the facility, each companies' perceptions of the revenue generating potential of the facility, the state of the maritime industry, and competition from other ports, Portland for bulk cargoes and Boston for containerized cargoes.

Management Implementation Plan

B. LEASE (continued)

- Specific changes to be incorporated in a new lease could include:
 - Pricing: Port Authority Board or the Board and the terminal operator to jointly set prices for the facility
 - Lease payments: per acre payments based on volume, e.g., graduated percent reductions in per acre rent for specified tonnage increments in excess of established base volumes
 - Lease term: shortened lease term or period within which major clauses of the lease can be reviewed and amended to reflect changing conditions in the marketplace
- The principal upside potential associated with a continuance of the present management policy is increased revenue to cover debt amortization and provide for capital improvement, better promotion and marketing of the facility on the part of the terminal operator through the introduction of a volume incentive lease, and no additional commitment of manpower or resources on the part of the Port Authority Board or its staff.
- The downside risks associated with this option are two:
 - 1) Maintenance of status quo--no other operators interested in the facility, Clark remains the operator, present lease structure remains intact.
 - 2) Loss of steel scrap business--a new lease is written; a new operator found; Tewksbury Metals departs along with John T. Clark; facility is idled.

Management Implementation Plan

C. OPERATE

- This option would involve the Port Authority Board in the day-to-day operation of the State Pier. The Board could either assume all functions of the terminal including vessel stevedoring (loading and discharging ships), terminal operations, and maintenance and repair of equipment; or perform all terminal and maintenance functions but permit steamship lines calling at the facility to use their own stevedores to load and discharge cargo.
- The port industry as a whole generally manages its operations in one of two manners--as a landlord similar to the present operation in Portsmouth or as an operator, providing all services except stevedoring.
- Massport, the Virginia Port Authority, and the North Carolina, South Carolina, and Georgia State Port Authorities are examples of port authorities that operate some or all of their facilities. The scope of their operations encompass all terminal functions--handling of cargo in storage areas, consolidation/deconsolidation, truck and railcar loading and unloading, inspection, gate operations, and terminal equipment operations. In addition, the Georgia Port Authority operates the dockside container cranes used in loading and discharging ships.
- The upside potential of such operations are better control of operations and functions of marketing and pricing, increased revenue often times lower cost (where nonunion labor is employed), and greater flexibility in terminal operations.
- The major downside risks include greater commitment in manpower, facilities and equipment, financial exposure to downturns in the marketplace, and the potential loss of the steel scrap business associated with the displacement of the Clark Company.

Management Implementation Plan

C. OPERATE (continued)

- For the Port Authority to assume operation of the State Pier, the following steps would need to be taken:
 - 1) Legislative: The Port Authority's enabling legislation would need to be amended to permit the Port Authority Board to operate the facility. This would require the introduction of an amendment to the existing legislation, presumably by the coastal legislative delegation
 - 2) Financial: The Port Authority Board would be required to acquire certain pieces of cargo handling equipment. Table III-1 summarizes the types of equipment that would be required. The Port Authority Board would either purchase or lease all of the equipment. The estimated capital investment for the equipment displayed in Table III-1 would be approximately \$2 million, assuming most of the equipment was purchased second hand. Lease costs would be a function of the type of equipment leased, its construction--new or used, and the period for which it was leased.

Table III-1

REQUIRED CARGO-HANDLING EQUIPMENT

1	Heavy Lift Mobile Crane
2 or 3	Multi-Purpose Mobile Cranes
2	Front End Loaders
2 or 3	Yard Hustlers
2	Forklift Trucks
	Miscellaneous Equipment*

*Container spreader bars, spare parts, slings, chains, etc.

Management Implementation Plan

C. OPERATE (continued)

- Leasing equipment would in all likelihood be the preferable alternative since it limits capital investment and the time period for the lease can be tied to demand, i.e., daily, weekly, monthly, etc.
- 3) Managerial: The Port Authority Board would need to hire two additional staff members to function as terminal supervisor and clerk. The terminal supervisor's responsibilities would include managing the loading and discharge of vessels, all terminal operations, employment of longshore labor for vessel and terminal operations, and equipment maintenance and repair. The clerk's responsibilities would include keeping track of cargo and all billing functions associated with the activities at the facility.
- The terminal supervisor position needs an individual with extensive experience in the stevedoring industry. The position requires knowledge of all facets of cargo operations including cargo handling and stowage (shipboard and shoreside), equipment technology, and labor relations. The clerk's position could be staffed by any individual with general ledger and billing experience.
- The principal upside potential of operating the facility would be increased revenue to the Port Authority Board from the cargo handling and terminal operation and absolute control over the facility in terms of operating, marketing, and pricing.

Management Implementation Plan

C. OPERATE (continued)

- The major downside risks associated with operating the facility would include:
 - The potential loss of the scrap business due to the removal of John T. Clark as terminal operator
 - Inability to fully cover fixed and variable costs
 - Inability to provide competitive, efficient service which would result in cargo and financial losses

D. SELL

- This option requires the sale of the existing State Pier facility to a private operator.
- Discussions with the Port Authority Board, City of Portsmouth, and Office of State Planning have indicated that in all likelihood stipulations would be placed on the sale of the State Pier facility to ensure that its use remained industrial. The sale value of the property would be directly related to the degree to which such stipulations restricted the buyers' ability to operate the facility.

Management Implementation Plan

D. SELL (continued)

- The following steps would be required to implement this option:
 - 1) Legislative: The Port Authority Board would recommend to the Governor that the Board be abolished and the facility be sold. Legislation would then be required to dissolve the Port Authority Board.
 - 2) Financial: The State Pier facility would be sold according to State procedures. Viking Cruises and any other lessee of the Port Authority facility should be given the option to purchase that portion of the facility necessary to support their operations.
 - 3) Management: Negotiation of the terms of sale would most logically be performed by the Board and its staff with the assistance and supervision of the long-range capital planning and utilization committee. The Department of Public Works, Department of Resources and Economic Development, or another State Agency could oversee transfer of the property and monitor the terms of sale as they relate to future operation of the facility.
- The major upside potential from selling the Port Authority facility would be a one-time capital gain on the sale net of remaining debt. By law, the sale could not be for less than the appraised value as determined at the time of sale. Assuming the appraisal value of the facility approximated that of Granite State Mineral's facility, the estimated sale price in today's dollars would be approximately \$6.0 million (\$500,000 per acre).

Management Implementation Plan

D. SELL (continued)

- The major downside risks of selling the Port Authority facility would depend in part on the use of the facility by the buyer. Potential risks assuming the facility did not function as a port would include:
 - Users: potential lost revenue by Tewksbury Metals due to lack of alternative outlet for scrap exports; Hapag Lloyd--loss of New Hampshire and Maine customers to lines calling at Canadian ports.
 - State: loss of lease revenues, loss of control over a major industrial site.
 - Local community: loss of jobs (three Port Authority staff, approximately 20 longshoremen, some truckers), loss of revenue generated by activities at the Port Authority (purchases of materials, meals, gasoline, services, etc.).

Exhibit III-1 provides a comparison of the upside potential and downside risks associated with each management option.

E. IMPLEMENTATION PLAN

- Beginning in 1989, two years prior to the expiration of the Clark lease, the Port Authority Board should undertake a comprehensive analysis of the costs and benefits that would accrue to the State and local community under each of the three management options.

Exhibit III-1

POTENTIAL BENEFITS AND RISKS OF ALTERNATIVE MANAGEMENT OPTIONS

	Lease ¹	Operate	Sell
Benefits	Increased revenue Minimum financial exposure	Maximum revenue generating potential Increased control over pricing, marketing, operating	One-time capital gain
Risks	Status quo--Clark remains Loss of scrap business	Significant capital investment Additional staff required Maximum financial exposure Loss of scrap business	Potential lost revenue to users Loss of jobs Loss of revenues to local community

¹Assuming restricted lease.

Management Implementation Plan

E. IMPLEMENTATION PLAN (continued)

- Specific steps to be taken in exploring each option are outlined in the following paragraphs:
 1. Lease:
 - 1) The Port Authority Board should actively market the State Pier facility to a number of stevedore companies, including John T. Clark. The focus of this effort would be to solicit their interest and to discuss alternative lease terms and conditions.
 - 2) The Port Authority Board should conduct a review of existing terminal leases in other New England ports with particular attention to Portland, Boston, Providence, New London, and New Haven. The Board should also selectively review leases in other major ports. The purpose of this review would be to identify alternative methods for maximizing cargo throughput, employment, and financial return to the State and local community.
 - 3) Within one year of the expiration of the lease, the Port Authority Board should have the State Pier facility appraised by two to three firms experienced in the appraisal of marine terminal facilities for the purposes of determining its market value--both from a revenue producing and sales perspective. Also during this period, the Port Authority Board should prepare a bid proposal to lease the facility and enter detailed negotiations with qualified firms, conduct reference checks, examine each firm's commitments in other competing ports, and conduct pro forma financial analysis of competing bids to determine which bid yields the highest economic return.

Management Implementation Plan

E. IMPLEMENTATION PLAN (continued)

2. Operate:

- 1) Two years prior to the expiration of the Clark lease, the Port Authority Board should conduct a detailed feasibility analysis of operating the facility. The analysis should identify capital investment requirements, manpower requirements, and legislative requirements.
- 2) Simultaneously, the Port Authority Board should initiate contact with the major users of the Port to explore both their service requirements and costs in using Portsmouth. The purpose of these discussions would be to determine the range of services and rates that the Port Authority Board would be required to provide to retain existing port users.
- 3) During this period, the Port Authority Board should also explore the services and costs at competing ports for the purpose of assessing the ability of the Board to provide competitive service.
- 4) The Port Authority Board should develop pro-forma financial analyses to determine the expected financial return to the State from operating the facility.

Management Implementation Plan

E. IMPLEMENTATION PLAN (continued)

3. Sell:

- 1) Property appraisal--this step would coincide with Step 3 of the Status Quo option.
 - 2) The Port Authority Board, in conjunction with the Governor's office and the City of Portsmouth, should establish the future use criteria which would govern the future use of the facility after its sale.
 - 3) Coincidental to the solicitation of bids to operate the facility, the Port Authority Board should explore any firm's interests in acquiring the facility, within the context of the use criteria established above.
- Having completed the above steps, the Port Authority Board should conduct a pro-forma cost-benefit analysis of the best alternative under each management option. The study should focus on quantifying the net direct and indirect economic benefits of each alternative to determine which alternative yields the greatest benefit to the State and local community.
 - Specific issues to be addressed would include:
 - Revenue: what is the impact of each option of total revenues occurring to port industries and users, the state, and the local community?
 - Employment: what is the impact on employment levels in the state and the local community?
 - Income: what is the impact on income to the state and local community?

IV. MARKETING: ANALYSIS AND RECOMMENDATIONS

A. INTRODUCTION

- This section provides an update of market analyses that have been conducted by the TBS team in Task III: Detailed Evaluation.
- The analysis focused on additional market opportunities that offer the potential for the Port Authority to diversify as well as to augment its existing revenue base.
- The identified opportunities are based on research developed by the consultants and information obtained from interviews with the Portsmouth business community and the City of Portsmouth.
- Market opportunities include:
 - Marine cargo
 - Marine non-cargo
 - Non-water dependent industrial use

B. MARINE CARGO OPPORTUNITIES

- At the requests of the Office of State Planning and the Advisory Committee, TBS investigated the potential for attracting New Hampshire State Liquor Commission (NHSLC) shipments to Portsmouth. Currently, these cargoes move primarily through other ports--principally New York, Boston, and Montreal.

Marketing Analysis and Recommendations

B. MARINE CARGO OPPORTUNITIES (continued)

- Interviews were held with members of the NHSLC, Hapag Lloyd, and the warehousing company and freight forwarders/customs house brokers that are involved in handling imports of wine and spirits for the NHSLC.
- The results of TBS's analysis are as follows:
 - 1) The liquor commission purchases a majority of its product from bonded warehouses on an as-needed basis in order to delay the payment of duties until the product is purchased. Consequently, overseas shippers and not the NHSLC control the routing of cargoes from overseas origins to bonded warehouses in New Hampshire.
 - 2) Of the total spirits, wines, and vermouths imported by the NHSLC during 1985, approximately 10 to 12 percent originated in the United Kingdom and the continent--the world area served directly by Hapag Lloyd.
 - 3) NHSLC cargoes originating in the United Kingdom and the continent can be delivered to the NHSLC for up to \$400 per container less via Cast Steamship Line to Montreal and then over the road than via ship to Portsmouth, according to NHSLC personnel.
 - 4) NHSLC personnel have indicated that at the direction of the Governor, they would assume the responsibility of routing cargoes via Portsmouth, but at a higher cost.
 - 5) The Port Authority staff and Hapag Lloyd have marketed and continue to market Portsmouth to NHSLC without success. Both Port Authority Staff and Hapag Lloyd are endeavoring to determine what is the current cost of transportation to the NHSLC. This analysis requires the full cooperation of the NHSLC to determine if Portsmouth represents a cheaper alternative.

Marketing Analysis and Recommendations

B. MARINE CARGO OPPORTUNITIES (continued)

- 6) Until such time as definite cost comparisons can be made and the results determined, it is unlikely that Portsmouth will handle more than a small share of NHSLC shipments. Even if Portsmouth were proven to be cheaper, this advantage would most likely apply only to that 10 to 12 percent of total shipments originating in the United Kingdom and the continent.

C. ADDITIONAL MARINE NON-CARGO OPPORTUNITIES

- The expanded analysis of non-cargo opportunities focused on four areas where potential demand is perceived to exist. These areas are:
 - Tour boats
 - Cruise vessels
 - Marina/recreational boating
 - Commercial fishing

Tour Boats

- More and more disposable income and increased leisure-time have created demands for activities such as recreational boating, tour boat activity, cruise ship operations, and travel to coastal cities and waterfront areas--and thus increased tourism activities in all waterfront states. These activities create potential demand for alternative uses of port areas such as Portsmouth.

Marketing Analysis and Recommendations

Tour Boats (continued)

- Tour boat activity now provides significant revenue to the Port Authority. Viking Cruises, the Port Authority tour boat tenant, recently signed a five-year lease with the Port Authority. This lease provides for a base rent to the Port Authority of \$27,500 per year and a per passenger surcharge of \$0.75. These payments cover the amortization of \$375,000 in capital improvements that the State is making at the Viking Cruises facility. Viking Cruises expects to double its activity at the new facility over the life of its lease. Such an increase would produce up to \$112,500 in revenues to the Port Authority and provide incremental contribution to the State.
- Portsmouth Harbor Cruises is interested in expanding its operations with an additional berthing facility. The company's Ceres Street location is constrained by shore space and access. If this activity was provided for at the head of the Viking Cruise facility on a new landing dock, the activity has the potential for generating additional incremental revenue to the Port Authority--as much as \$51,250 to the State each year (at 1/2 capacity of Viking Cruises).

Cruise Vessels

- In recent years, there have been some serious inquiries from various coastal cruise lines interested in calling at the Portsmouth area. Based on information from Viking Cruises, TBS contacted a number of firms expressing an interest in Portsmouth. The results of those interviews are summarized in Exhibit IV-1.
- In addition to the companies listed in Exhibit IV-1, Cunard Lines was interviewed and indicated that they were interested in calling at Portsmouth. These lines would further diversify activities at the Port Authority and add to the revenue at the Port Authority facility. Visitation of these types of vessels depends on a European-based vessel making a call to Portsmouth on its way from overseas.

Exhibit IV-1

POTENTIAL CRUISE LINE COMPANIES TO CALL PORTSMOUTH

Cruise Line	Headquartered	Existing Service	Remarks
Exploration Cruise Lines	Seattle, WA	<ul style="list-style-type: none"> • Presently operate eight ships along U.S. West Coast, in Alaska, around Caribbean, and along U.S. East Coast • Recently purchased 192-foot long boat, capacity to carry 105 overnight passengers; presently, this boat, Colonial Explorer, operates out of Baltimore but during summer it is being moved to Boston 	<ul style="list-style-type: none"> • A previously private company, Exploration Cruise Lines was recently bought by Anheuser Busch, and money is now being pumped into the company; new money made it possible for company to lease and operate 400-foot boat in Caribbean
American Canadian Lines	Warren, RI	<ul style="list-style-type: none"> • Operations currently exist in Erie Canal and the Saint Lawrence Seaway 	<ul style="list-style-type: none"> • Company feels that its product is very successful and it is not considering change now; however, it views Portsmouth as a long-term potential
American Cruise Lines	Middleton, CT	<ul style="list-style-type: none"> • Three ships are being operated along the Maine Coast (during summer months), through New England islands, up and down the Mississippi River, and along Florida and the Keys 	<ul style="list-style-type: none"> • Used to call Portsmouth and docked near Strawberry Bank • Would be "delighted" to use Portsmouth, would make it a weekly call during its Maine cruises (June to October), if the docking space existed--ship size is 200-feet long with a 45-foot beam and draws 10 feet
Cruise America Lines	Ft. Lauderdale, FL	<ul style="list-style-type: none"> • Company is in formation stage and is not presently operating any ships 	<ul style="list-style-type: none"> • Company and its cruise boat operations depend on success of Bill #S1935, scheduled to go before the House on June 4, 1986. Bill would permit reflagging of foreign vessels for U.S. coastal trades • Company seeks to purchase two foreign flag vessels, 500- to 600-foot size, to reflag and staff with American crew to be operated along the U.S. East Coast • Contemplated itinerary could include Charleston, Newport, Boston, Portsmouth, and Bar Harbor as ports of call

Marketing Analysis and Recommendations

Marina/Transient Vessels/ Visiting Ships/Tall Ships

- There currently is no landing facility located in the heart of the downtown Portsmouth business district; a landing facility at the existing Port Authority site would definitely be an asset to the Harbor.
- With waiting lists of 140 and 200 boats for the Portsmouth and the Kittery, Maine sides of the Piscataqua River, there is a very active demand for recreational boating facilities in the coastal area of New Hampshire. With an increase of 100 percent in the registrations since 1981 (mostly due to Lake Winnepesauke) existing facilities are overcrowded and prices are increasing each year. With a moratorium on the moorings in Lake Winnepesauke due to crowding, some of this demand will spill over to the seacoast areas.
- A landing facility providing water, electrical, and fuel services for transient boaters would provide an added impetus for the recreational boater to come to the Portsmouth area to spend the evening or an extended time at the port.
- In addition to these ongoing activities, occasional visits by military vessels and tall ships create a demand for waterfront facilities in the Port of Portsmouth. The economic impact from visitor expenditures from this type of activity can be significant. For example, the City of New London, Connecticut is expecting an estimated 300,000 people to visit a sail training scheduled to call at New London.

Marketing Analysis and Recommendations

D. INDUSTRIAL USE OF PORT FACILITIES

Industrial/Commercial Use

- Additional research by TBS has identified opportunities to diversify use of the waterfront property and provide a means to augment contribution to the State.
- Because of the low tax rates in New Hampshire, businesses have been attracted to the southern New Hampshire region, which has resulted in the establishment of commercial and industrial parks throughout the region. Corporate headquarters, such as Congoleum Corporation, have been established in the Portsmouth area and act to strengthen the industrial base and economy of the city. This is a trend which the Port Authority could capitalize on, if the containment area is built.
- Discussions with representatives of the City of Portsmouth and the Portsmouth Chamber of Commerce have led to information that there is a shortage of property available in the city to supply industrial needs.
- By moving bulk cargo operations to the containment structure, land at the existing terminal could be made available for industrial use.
- By retaining the existing pier and four acres of adjoining space for container operations, as well as for cruise, naval, and tall ship visits, approximately eight acres could be leased for industrial activities. Examples of such activities include water-dependent/water-related industrial or commercial uses.

Marketing Analysis and Recommendations

Industrial/Commercial Use (continued)

- Commercial fishing activity in the Piscataqua River region has expanded significantly over the past few years (17 percent between 1982 and 1984). The Piscataqua River accounts for approximately 80 percent of all fish landed in New Hampshire. The State Fish Pier handles approximately 60 percent of total State landings. With the mix of species landed in Portsmouth, the fisheries have averted the recent slump in landings of other New England ports.
- Interviews with the Portsmouth Co-op and the Portsmouth Chamber of Commerce indicate that at least one company is looking to locate commercial lobster boats, fishing vessels, and a lobster co-op on the Piscataqua River. Because these vessels require little in the way of shoreside infrastructure, accommodation of commercial fishing vessels at an expanded Port Authority facility represents an opportunity to diversify activity and expand the Port Authority's revenue base.
- A second company that specializes in seafood marketing, wholesaling, and import/export activity has made inquiries to the study team of the possibilities of locating a warehouse/secondary processing operation at the Port Authority site. This company is looking at other sites, but if the right land and/or facility were made available to the enterprise and water access were provided, location at the Port Authority site-existing or dredge spoil containment area, would definitely be a possibility. The operator is looking for an immediate facility to utilize also, as well as a place to tie several fishing vessels.
- The above alternative uses for commercial fishing could be accommodated on the 1.6-acre site number two of the containment area. This lease, as an improved lease, could potentially yield up to \$87,300 per acre (\$2.00 per square foot).

Marketing Analysis and Recommendations

Industrial/Commercial Use (continued)

- The Portsmouth Seafood Co-op is currently looking for an additional six berthing spots for parties interested in joining the Co-op.
- Ground leases could be contracted for unimproved land with a developer bidding on the development of the land parcel. Such leases could potentially yield annual revenues of \$43,560 (\$1.00 per square foot) per acre for unimproved and \$87,300 (\$2.00 per square foot) per acre for semi-improved land.
 - Examples of commercial/industrial uses include marine supply; bonded warehouse/cold storage ship chandlery; light marine equipment fabrication/manufacture; boat manufacturer/repair.
 - Other commercial uses, such as marine-related light commerce/office space, could serve as a buffer between industrial uses and the tour boat activity at Barker Wharf.
- Exhibits IV-2 and IV-3 provide pro forma revenues and expenses for activities that could potentially be accommodated at the Port Authority facility. The data indicate that potential exists to generate additional contribution from non-cargo activities.
- The activities examined in the preceding sections and in Exhibits IV-2 and IV-3 could only be accommodated in an expanded facility, i.e., with the addition of the containment structure.

Exhibit IV-2

PRO FORMA REVENUE FROM ADDITIONAL MARINE NON-CARGO OPPORTUNITIES

Activity	Revenue Basis	Projected Units	Annual Revenues
Additional River Tour Boat	<ul style="list-style-type: none"> • (1/2 basis for Viking Cruises) 	13,750 base \$.75 per passenger	\$ 13,750 37,500
Cruise Vessels	<ul style="list-style-type: none"> • Docking facility for 300-foot vessel 	(300-foot x 10 weeks x \$1.50 per foot)	4,500
Marina/Visiting Ship/Tall Ship	<ul style="list-style-type: none"> • Docking facility for 10 recreational boats • 5 Transient boats • Visiting ship/tall ship 	(10 boats x 30 feet x \$30 per foot) (6 weeks x five boats x 30 feet x \$1.50) (10 weeks x 200-foot vessel x \$1.50 per foot)	9,000 1,350 3,000
Commercial Fishing	<ul style="list-style-type: none"> • Docking facilities for seven vessels 	\$700 per vessel	4,900
Industrial/Commercial Use	<ul style="list-style-type: none"> • Eight acres industrial/commercial land (existing pier) • Two acres industrial use (site #2—containment area) 	\$43,650 per acre (\$1.00 per square foot) \$87,300 per acre (\$2.00 per square foot)	349,200 174,600
TOTAL ADDITIONAL REVENUE			\$597,800

Exhibit IV-3

PRO FORMA COST ESTIMATES FOR ADDITIONAL MARINE,
NON-CARGO DEVELOPMENT OPPORTUNITIES

Construction Element	Cost Basis	Total Cost
Parking/landscaping for public landing area	<ul style="list-style-type: none"> • 1/2 acre at \$.78 per square foot for paving • .2 acres at \$.40 per square foot for landscape 	<p>\$ 17,024</p> <p>3,492</p>
Public landing for second tour boat/marina	<ul style="list-style-type: none"> • 30' x 100' fixed pier • 10 concrete piers at 7,000 each • Tackle at 10 percent • Ramp to docks at 6,000 each • Hardware, power, water 	<p>93,000</p> <p>70,000</p> <p>7,000</p> <p>6,000</p> <p>4,000</p>
Cruise ship facility	<ul style="list-style-type: none"> • Fixed dolphins for cruise ship/visiting ship at 2,500 each 	5,000
Commercial fishing/docking facility at containment site #2	<ul style="list-style-type: none"> • 10 concrete floats at 7,000 each • Two ramps at 4,000 each • Hoist for fish seafood • 1/4 acre parking at \$.78 per square foot 	<p>70,000</p> <p>8,000</p> <p>3,500</p> <p>8,512</p>
TOTAL ADDITIONAL EXPENSE		\$295,528

Marketing Analysis and Recommendations

E. MARKETING RECOMMENDATIONS

- The Port Authority Board and its staff should undertake a marketing program designed to diversify and augment its revenue base. The following recommendations are suggested regarding the marketing program:

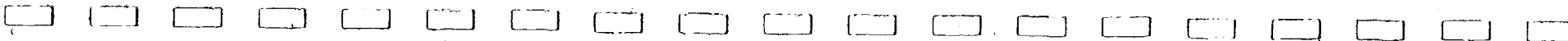
Marine Cargo Opportunities

- The port should update its customer record card file using importer and exporter directories published by the State Office of Economic Director. Having updated the file, the Port Authority staff should develop a survey questionnaire to validate which companies identified are, in fact, importing or exporting, where they ship to/from, and which ports they use.
- For each company that imports or exports, the Port Authority should initiate contact to sell Portsmouth if they are using an alternative port or to ensure they are receiving satisfactory service if they use Portsmouth.
- The Port Authority staff should initiate an effort designed to attract additional bulk cargo opportunities to the port--particularly in anticipation of the potential construction of the containment area. The effort should include focusing on bulk cargoes currently moving through Boston, and identifying industries within the states of Maine, Vermont, and New Hampshire that offer import or export potential.

Marketing Analysis and Recommendations

Non-Cargo Opportunities

- The Port Authority staff, in conjunction with Viking Cruises, should contact companies that have expressed an interest in calling at Portsmouth. The purpose of these contacts would be to identify the services and facilities these lines may require and investigate the potential for providing such facilities.
- The Port Authority staff should initiate discussions with Portsmouth Cruises regarding the locating of their operation at the State Pier facility.
- The Port Authority staff should initiate discussions with the Portsmouth Co-op regarding the potential for providing supplemental facilities at the containment site.
- The Port Authority staff, in conjunction with the City of Portsmouth and Portsmouth Chamber of Commerce, should explore the potential for attracting industrial lessees to the State Pier facility. While the emphasis of this effort should be on water-dependent and water-related activities, other potential users should not be excluded.



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